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In This Edition

Cost Containment

Employers Seek Hard Facts, Healthier Workers in Their Plan Designs

With the uncertainty of health care reform and rising costs looming over employers' heads, many small businesses are looking to revamp their benefits plans and keep better track of their programs' value.

For many employers, that process starts with encouraging their workers to make some positive lifestyle changes, according to a recent national survey.

A survey by Towers Watson and the National Business Group on Health found that 67 percent of employers say worker behavior serves as the biggest obstacle in managing health care costs, according to a report in *Business Insurance*.

However, changing those behaviors won't be easy, the survey suggests. In ranking the top obstacles to changing employees' habits, respondents pointed to lack of engagement (58 percent), lack of financial incentives (31 percent) and lack of an adequate budget for health management (30 percent).

Even if employers can get their workers on a diet and into the gym, there's not always a clear-cut way to measure the financial impact on their plans. With the possibility of "pay or play" emerging from health care reform, employers want to be able to measure the return on investment (ROI) of all their health-related benefits, experts say.

Fortunately, health management programs traditionally have scored well in ROI, a group of insurance industry experts told attendees at a recent Employee Benefit Research Institute conference.

For example, management programs designed to prevent employees from becoming diabetics has proven to create a significant ROI for employers, experts at the conference said.

New research published by the American Heart Association bolsters the argument for hands-on programs that improve employee health. The one-year study of 757 hospital workers found the program helped the employees shed pounds and reduce their cholesterol and blood pressure levels.

"Voluntary wellness programs can successfully address weight loss and lifestyle behaviors for employees in all weight categories, but more work is needed to improve long-term changes," the researchers reported.

However, some experts warn disease management and wellness programs are not a magic bullet for cost savings.

Bruce Pyenson of Milliman points out that America has never been healthier despite the nation's rising obesity rates. Life expectancy is high, and events associated with some chronic conditions are at a historic low, Pyenson told *Employee Benefit News*. Employers will achieve better results by moving to a limited health plan network and trimming out-of-network benefits, he said.

Regardless of the ROI challenges and the uncertain effect of health care reform, employers likely will continue to turn to health management programs, said Jeffrey Munn of Hewitt. "About 50 percent of our health care spending is associated with behavior," he said. . . . "If you look at the ability of the medical system to intervene and prevent some complications resulting from bad health habits, then we are better off. Yet when you look at the underlying issues of health, such as nutrition and exercise, then we have been declining for years."

Regulations

Compliance Pressures Won't Subside Soon, Experts Say

Recent changes to HIPAA, mental health parity and other labor-related laws have many employers scrambling to stay compliant. Unfortunately for HR staff, several federal government agencies aim to keep employers under the gun.

The Occupational Safety and Health Administration (OSHA) recently proposed new rules that would require employers to keep track of workplace-related musculoskeletal disorders (MSD). While this move appears to be a simple bookkeeping matter, experts say it could open the floodgates of more regulation and fines.

"If I were an employer I would make sure my folks are well trained and that my reporting systems are in good shape," Jason C. Swartz of Gibson, Dunn & Crutcher told

Human Resource Executive Online. "I also wouldn't assume that every MSD needs to be reported even if the rules do go into effect. Employers need to make sure the [incidents] are work-related."

Meanwhile, employers with retirement plans can expect more scrutiny from the Department of Labor (DOL), experts say.

Recession always brings more complaints from plan participants, which in turn spark more DOL investigations, according to Benefit Consultants Group (BCG), a financial advisory firm. Complaints about receiving the proper documents or the timing of employee deferrals are "hot topics" for the DOL and are more likely to invite a closer look, experts at BCG said. Also, the proposed 2010 federal budget contains funds for hiring more DOL investigators, so more eyes soon might be focused on employers' plans.

Dependents

Employers See Obstacles, Opportunities With Employee Spouses, Children

Extending health benefits to an employee's spouse and children can boost the value of an employer's benefits package. However, recent changes in same-sex marriage laws are forcing employers to rethink how they distribute those benefits -- and prompting some to cut them altogether.

The law firm of von Briesen & Roper notes that more employers are extending benefits to those who do not qualify as dependents under the federal tax code either by choice or because local governments have mandated it. Even though the federal tax code does not define same-sex partners as legal "spouses," a number of states and local governments have enacted laws that recognize same-sex unions. In March, the District of Columbia became the latest government body to legalize same-sex marriages.

While these new rules can open access to benefits for same-sex couples and dependents, the laws contains a slew of limitations, von Briensen & Roper advice. For instance, regardless of state and local law, "an employee cannot pay his/her portion of the premiums for the coverage of a nontax dependent pretax through a cafeteria plan [Section 125]," the law firm wrote in a recent news release. Also, health reimbursement accounts and flexible spending accounts are off limits because these arrangements can only cover "expenses incurred by spouses and tax dependents," the firm wrote.

In addition to the compliance challenges, ethics and philosophy -- and religion -- come into play for some employers. Rather than being forced to extend benefits to same-sex spouses, the Catholic Charities of the Archdiocese of Washington announced it would not cover spouses in any new benefits enrollment after the District of Columbia legalized same-sex marriages. The change does not affect those currently enrolled and does not extend to dependent children.

Despite the compliance headaches, some employers see dependent coverage as a way to cut costs in the long run.

For example, companies such as PepsiCo, Mars and Owens Corning are experimenting with a new pilot program that pays for more doctor visits for families with obese children. The initiative, sponsored by a number of health insurers and the Alliance for a Healthier Generation, aims to make obesity treatment more accessible and to improve kids' health early on.

"What we have to do is change the mindset [from] 'What is this going to cost the system' to one that says, 'Look how much we're going to save the health care system by treating obesity in these kids,'" said Dr. Louis Aronne, a director at New York Presbyterian Weill Cornell Medical Center.

In Brief

CONGRESS EXTENDS COBRA
President Barack Obama signed legislation in March that provides a 31-day stopgap extension of the 65 percent federal subsidy for COBRA premiums. The extension will cover employees who are involuntarily terminated through March 31.

NEW INVESTMENT ADVICE
The U.S. Department of Labor (DOL) has proposed a new regulation regarding investment advice to plan participants. The DOL's new rule would permit investment advice that is provided through an unbiased computer model and through an adviser whose compensation is not tied to investments selected by participants.

BRIGHTER ATTITUDES ON HEALTH CARE
A new poll by Rasmussen shows Americans are feeling better about the nation's health care system. The poll, taken after the president's recent health care summit, found that 44 percent of voters rate the U.S. health system as excellent or good -- up from 35 percent in May and up from 29 percent two years ago. More than three-quarters (76 percent) of those with insurance rate their plans as excellent or good. Only 3 percent said their coverage was poor.

DRESSED FOR FAILURE
Fifty-seven percent of polled hiring managers cited inappropriate dress as the most common mistake candidates make in interviews, according to a new CareerBuilder survey. One manager noted a candidate showed up for the interview in a business suit and flip-flops. Other turnoffs include appearing disinterested (55 percent), speaking negatively about a current or previous employer (52 percent) and appearing arrogant (51 percent).

RAISES TO REMAIN LOW
Salary increases in 2010 for U.S. workers likely will be small, according to The Conference Board. The group projects increases in salary budgets will be below 3 percent for the first time in two decades. Projected salary adjustments for all employees are expected to fall under 2 percent -- below the 2.6 inflation rate predicted by The Conference Board.

Garner
Insurance Services

630 North Rosemead Blvd. • Suite 300 • Pasadena • California • 91107
(626) 351-2300 • (626) 371-0447 Fax
www.garnerbenefits.com